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TAGS: [ECON](#) [ETRD](#) [PREL](#) [MU](#)
SUBJECT: OMANI COMMERCE MINISTER TALKS UP FTA BENEFITS WITH
CODEL MORAN

Classified By: Ambassador Gary A. Grappo, reasons 1.4 b and d

Summary

[¶1.](#) (SBU) Oman's Commerce and Industry Minister spoke highly of the U.S.-Oman Free Trade Agreement's (FTA) potential to strengthen bilateral economic relations during a November 26 visit to Muscat by a U.S. Congressional delegation. The Agreement, according to the Minister, would assist government efforts to diversify Oman's economy by attracting U.S. investment in the industrial, energy, and technology sectors. In keeping with Oman's efforts to maintain good relations with Tehran and to open up new economic opportunities, the Minister affirmed that his government would continue discussions with Iran on joint energy initiatives. End Summary.

Good for Us, Good for You

[¶2.](#) (SBU) On November 26, members of a U.S. Congressional delegation (CODEL) led by Representative James Moran of Virginia discussed the state of bilateral economic relations with Minister of Commerce and Industry Maqbool bin Ali Sultan. (Note: The delegation also included Representatives Tom Davis of Virginia, Steve Chabot of Ohio, Keith Ellison of Minnesota, and Laura Richardson of California. End note.) Maqbool expressed appreciation for Congressional approval of the FTA, and hoped that it would be "as good for the United States as it will be for Oman." The Minister recognized that efforts to implement the Agreement had been delayed by intellectual property rights concerns, but added that "we have resolved almost everything," and that he was in receipt of a letter from the Ambassador regarding the USG's position on data protection requirements. Responding to a query on when the FTA would enter into force, Maqbool replied "as early as possible, certainly by the end of the first quarter of next year."

[¶3.](#) (SBU) Maqbool anticipated both sides accruing a number of benefits from the FTA once it was implemented. On trade, the Minister acknowledged that the tariff breaks would be modest, since Oman's average customs duty rate was only 2.9% and most of its exports, such as liquefied natural gas, fertilizer, and methanol, were already committed to Asian companies via long-term contracts. He noted, however, that the "psychological effect" of duty-free access would aid U.S. imports to Oman. The Minister further found hope for Oman's sagging textile industry with the FTA's exemption from the yard-forward rule in exporting certain garments to the United

States.

Foreign Investment Magnet

14. (SBU) With implementation of the Agreement, Maqbool expected a bigger bounce from U.S. investment in Oman, stating: "Look at what has happened in Singapore, Jordan, Israel, and Bahrain after signing an FTA. All had an increase in U.S. investment. This Agreement will help us also." To this end, Maqbool expressed interest in seeing greater activity from Ex-Im Bank and OPIC in supporting future U.S. projects in Oman.

15. (SBU) Maqbool remarked that the Agreement would enable Oman to attract the type of foreign investment needed to invigorate its private sector, which would be counted on to provide jobs for its sizable youth population. The Minister noted that along with the construction or expansion of port facilities, Oman was beefing up its industrial capacity. As an example of Oman's future industrial growth, he cited the development of the city of Salalah where a free zone containing methanol, PET, and brakes plants would add to the trans-shipment port's value. Maqbool also highlighted the growth of the industrial port of Sohar, which contained over \$14 billion of committed investment. He had "high hopes" for a new port to be constructed at Duqm, half way down the Arabian Sea coast between Muscat and Salalah. In addition to the processing of minerals, gypsum, and limestone, Maqbool stressed that the construction of a refinery and petrochemicals complex would aid in making Duqm a success.

16. (SBU) On top of building its transportation and logistics sector, Maqbool stated that Oman was focusing on developing

its technology, information, and communications sectors, as well as alternative energy projects. The Minister predicted that after 2015, solar energy would play a "big role," and that U.S. research initiatives could unlock Oman's potential.

He added that Oman was also looking into the "capture and cold storage" of coal. With U.S. investment, according to Maqbool, Oman could serve as a center for coal distribution to India, the GCC, and Yemen.

Oil Price Outlook

17. (SBU) Responding to a query on the direction of oil prices, Maqbool prefaced his response by stating that Oman was not an OPEC member and that it was a small producer compared to OPEC's overall daily output. On the possibility of higher oil prices, the Minister mused that such a prospect would "not be in favor of the world economy." He cautioned that prices were not simply the result of increased demand, but reflected other factors, such as the weakening dollar and problems in Iran. Maqbool further commented that the United States, as a "rich" country, stood a better chance of weathering price hikes in comparison to Asian and African countries, which were "getting hurt." He surmised that oil prices would have to come down, but hoped that "they don't go down too much to the point where it hurts us."

Still Talking to Iran

18. (C) On Oman's relationship with Iran, Maqbool remarked that Oman "is a friend of all, enemy to none." Offering his perception that the world's problems are either related to religion or border disputes, the Minister echoed the government's desire to maintain "the best relations" with Iran. Furthermore, Maqbool told CODEL members that Iran, with its large economy and surplus gas reserves, offered potential business opportunities for Oman. Commenting on proposed joint gas ventures with Iran, he added, however, that "we only deal with the professionals."

19. (U) CODEL Moran did not have an opportunity to clear this message.
GRAPPO